

**For immediate release**

**Only 14 per cent Indian households purchased a 4 or 5 star AC: CEEW study**

**New Delhi, 29 September 2020:** Cost remains the key barrier to purchasing high-efficiency air conditioners according to recent studies by the Council on Energy, Environment and Water (CEEW). The studies found that 93 per cent households in tier II cities, that are aware of the star labelling programme, find it useful. However, only 14 per cent purchased a 4 or 5 star AC. Over 75 per cent households attributed the cost of the AC as a barrier to purchasing a high star AC.

The studies, based on a survey and a randomised control trial (RCT) experiment, recommend lowering of GST on highest efficiency products from 28 per cent to under 5 per cent to successfully allow for competition with lower efficiency products. A significant markdown in the GST would allow for more favourable competition towards higher efficiency products, and also encourage industry to create financing schemes and encourage further product development for this segment of ACs specifically.

Shikha Bhasin, Programme Lead at CEEW, and lead author of the studies said, “India has led one of the most successful energy-labelling programmes globally. These studies are an attempt to gauge its impact in non-tier I cities, and address gaps to better the energy efficiency trajectory of our cooling sector. A significant opportunity to reduce greenhouse gas emissions is available if households adopt better AC use practices. Adopting sustainable lifestyle practices, including higher AC energy efficiency and optimised maintenance, could reduce the global warming impact of the cooling sector in India by 46 per cent during the period 2010–2050.”

According to the India Cooling Action Plan (ICAP), regular servicing and the adoption of good servicing practices (GSPs) have been recognised as an important aspect of maintaining AC energy efficiency during its operational lifetime. Adhering to all key GSPs during one servicing needs at least 2 hours. The survey, however, found that only a third of households believed there to be any relationship between servicing and the maintenance of energy efficiency, and 71 per cent of households would not prefer spending more than 1–1.5 hours on servicing. Moreover, 24 per cent households would prefer paying less than INR 300 per servicing.

The studies, supported by the Shakti Sustainable Energy Foundation, recommend that the Government of India’s awareness campaigns under the ICAP list the benefits of adopting preventive GSP and emphasise that regular proactive servicing is imperative. The campaigns must highlight that good basic preventive servicing needs at least 2 hours, increase customers’ willingness to pay more for good servicing, and emphasise the importance of choosing a good servicing technician. Another critical element necessary to induce behaviour change is a standardised technician certification process.

The servicing sector in India is poised for significant growth with the number of jobs increasing to over 2 million in the next two decades. Moreover, of the households surveyed, less than 10 per cent had subscribed to servicing contracts, suggestive of a market potential that may be tapped into. The studies recommend retail outlets and manufacturing companies to create business models for effective servicing, offering incentives for annual servicing, maintenance contracts and extended service warranties.

According to the survey, ~60 per cent of the respondents reported a substantial or large contribution of ACs in their monthly electricity bill. However, only 26 per cent households identified any specific

AC servicing practices as having a direct impact on the electricity load, electricity consumption, or efficiency of an AC unit.

Given the constant rise in temperatures, India will pose the fastest growth in cooling demand in the world (8-fold overall and 11-fold for residential cooling) over the next two decades. Adoption of energy-efficient behaviours among AC users, thus, becomes necessary. To promote energy-efficient behaviours, the Bureau of Energy Efficiency (BEE) had launched a consumer awareness campaign to encourage use of ACs at 24°C or higher among residential consumers. The CEEW studies found that though 46 percent of the respondents indicated that temperature setting had an impact on an AC's energy consumption, ~73 percent of consumers still used their AC at a temperature of 23°C or lower.

The two CEEW studies, 'Do Residential AC Buyers Prioritise Energy Efficiency? Indian Consumer Perceptions and Purchases' and 'Consumer Behaviour and Climate Action: Insights from a Randomised Control Trial Experiment in India's Residential Cooling Sector' can be accessed [here](#) and [here](#).

### **Methodology**

The studies are based on a door-to-door survey conducted across 400+ households in four Indian cities - Dhanbad, Madurai, Meerut, and Vadodara. The studies also draw insights from a randomised control trial (RCT) experiment to understand Indian consumers' AC servicing behaviour and examine alternative behavioural interventions.

### **About CEEW**

The Council on Energy, Environment and Water ([CEEW](#)) is one of Asia's leading not-for-profit policy research institutions. The Council uses data, integrated analysis, and strategic outreach to explain – and change – the use, reuse, and misuse of resources. It prides itself on the independence of its high-quality research, develops partnerships with public and private institutions, and engages with wider public. In 2020, CEEW once again featured extensively across nine categories in the *2019 Global Go To Think Tank Index Report*. The Council has also been consistently ranked among the world's top climate change think tanks. Follow us on Twitter [@CEEWIndia](#) for the latest updates.

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